BEAUTY TRENDS | *Ethnic overview*

Ethnic: Best sellers, promotions mark chain efforts

By Elizabeth Parks

Drug chains are trying to beef up sales in the still-flat ethnic category by promoting and featuring rebates and bonus packs in ads, by expanding their assortment of the best selling SKUs, and by making the department more visible in high-volume ethnic stores, usually by putting it closer to the front and giving it more promotional space within the total department.

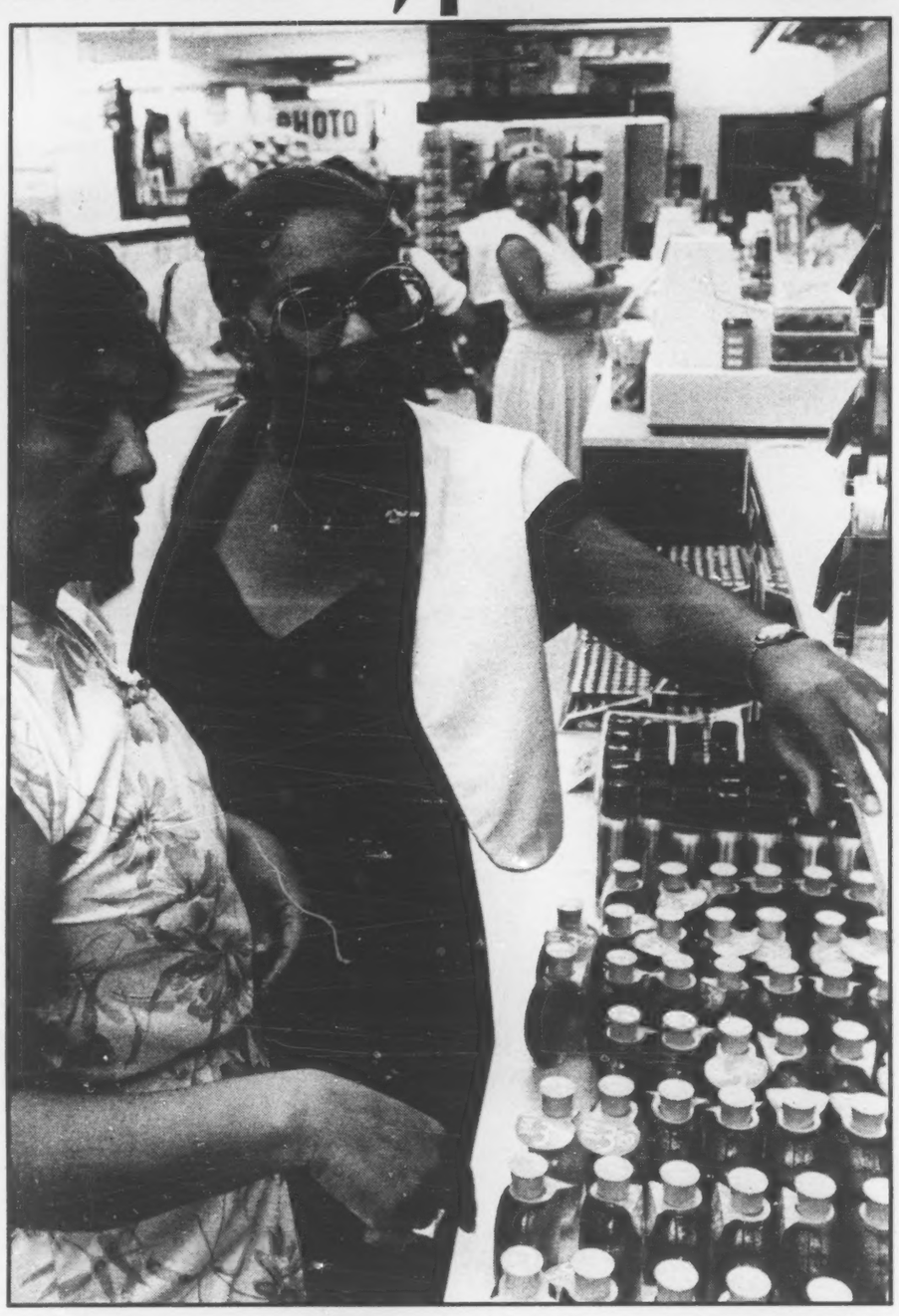
Many of the bigger chains are also getting more competitive. Several chains have lowered their everyday prices on the entire department. Others have slashed prices sharply on the more visible ethnic H&BA items, particularly their top 50 to 100 best-selling SKUs.

The space crunch

Some chains are also cutting back on their general market H&BA assortments in high-volume ethnic stores to give more space to products specifically tailored to black needs. This is especially so for such categories as hair color, hosiery, skin care and cosmetics.

As 1988 moves to a close, most buyers and distributors are still reporting that the category is flat overall in mass market stores. However, some drug chains say they are getting decent growth because of changes in merchandising, advertising, and sometimes, pricing strategies.

"The category is flat overall," says Lou Orenstein, president of Judith Lynn Beauty Supply, "because there's a vacuum in the fashion market. There's a little bit of everything out there in terms of style, but there aren't any large groups of people going for one look: the relaxed hair or the curl.



Ethnic shoppers appreciate good values. Many chains are fending off competition from food, discount and beauty and barber supply shops by lowering margins on the high velocity items.

"But still our sales are up, and most chains with stores in high-volume ethnic neighborhoods report that their sales are up.

"But people today are buying value wherever they can find it. Combination two-for-one packs are hot. So are bonus packs, and so are the biggest brands that have a loyal following."

Most buyers and distributors say that merchandising and advertising are critical for keeping the ethnic category strong for drug store retailers.

Most chains with stores in high-volume ethnic neighborhoods are trying to enhance their appeal to shoppers by reconfiguring or expanding their ethnic departments. Chains like SupeRx of Arizona, Drug Emporium in Columbus, Eckerd in Florida and Dart and Peoples in the Washington/Virginia market are all taking this approach.

At the same time, many chains including Perry Drug, Osco, Thrift, Dart, Peoples, F&M and Eckerd are now promoting ethnic more, giving it increased exposure on ends, and using POP to highlight special value buys.

As Perry's assistant vp of H&BA merchandising, Steve Lund, puts it, the goal for 1988 and 1989 is to let shoppers know "we are seriously committed" to the category and are prepared to provide shoppers with a broad assortment of quality products at reasonable prices.

Make it 'stand out'

A source at F&M says this Detroit-based deep discount chain tries to make the category "stand out.

"We put in eight- to 12-foot sections wherever they're warranted," he says, "and we're constantly changing the mix. We're dropping old items and putting in the hot new products as they come out. We use a distributor, and they stay on top of the category. We won't let our stores just stock anything. We're also price competitive in all our stores. You have to be."

In fact, competition this year has become an issue for most buyers. K mart, Wal-Mart and Zayre, three of the nation's strongest discount store chains, have aggressively stepped up their merchandising, advertising and promotional efforts in the ethnic area.

Zayre now has ethnic products in all stores. The chain has also steadily promoted the category to build visibility and image. K mart, the first discount chain to go aggressively after this category, continues to give ethnic products generous promotional space and full presentations in all higher-volume ethnic neighborhood stores. Wal-Mart has a strong everyday low-price image in this category.

In markets where there are 60 percent or more black customers, chains are also facing increased competition from family-run beauty and barber (B&B) supply stores. Most buyers complain that these small family businesses, often run by Koreans, are very cost-effective.

"They buy competitively, pay very low rent for their stores, often live in the same building as their stores, and use only family members to run the business," says one buyer. "They discount everything, and I can't even come close to matching their prices."

Other sources, however, say that many of the family-run B&B shops can't compete with drug stores on either variety or presentation of product. These sources feel that chains with a strong merchandising program in place can lower their prices selectively and compete with the family-run B&Bs as well as with the discount department stores, which are not always conveniently located.

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Top 10 ethnic hair care products

(ranked by dollar sales)

Rank	Brand	Size
1.	Care Free Curl Moisturizer	16 oz.
2.	Care Free Curl Moisturizer	8 oz.
3.	Dark & Lovely Creme Relaxer	
4.	Dark & Lovely Creme Relaxer Plus	
5.	Right-On Curl Activator-Bottle	8 oz.
6.	Right-On Curl Activator-Bottle	16 oz.
7.	Gentle Treatment Relaxer/Regular	
8.	Care Free Curl Activator	8 oz.
9.	Care Free Curl Activator	16 oz.
10.	Soft & Beautiful Relaxer/Regular	

Source: Standard Distributing, Inc.

Top 10 ethnic hair care products

(ranked by unit sales)

Rank	Brand	Size
1.	Care Free Curl Moisturizer	8 oz.
2.	Right-On Curl Activator-Bottle	8 oz.
3.	Care Free Curl Moisturizer	16 oz.
4.	Magic Shave Powder/Gold	4.5 oz.
5.	Magic Shave Powder/Blue	5 oz.
6.	Care Free Curl Activator	8 oz.
7.	TCB Oil Sheen Spray—25% Free	16 oz.
8.	Care Free Curl Snap Back	8 oz.
9.	Right-On Instant Moisturizer	8 oz.
10.	Blue Magic Condition Hair Dress	12 oz.

Source: Standard Distributing, Inc.

Growth outstrips drug chains:

B&Bs raise ethnic sales 10-20%

Beauty and barber shops (B&Bs) are increasing ethnic sales from 10 percent to 20 percent a year, according to distributors.

In contrast, with some exceptions, many drug store ethnic product buyers estimate that sales of ethnic products in their stores have slowed to increases of between 5 percent and 10 percent a year, and some buyers say overall sales in their chains are flat.

In the B&B industry, the competition is coming not just from the major chains like Alberto Culver's Sally Beauty Supply Shops, but also from small independent operators, many of them Koreans who run their stores as family-owned businesses.

Many distributors are now estimating that perhaps as much as 30 percent of all ethnic product sales are now generated in B&B stores. The B&B operators are almost always the first to get the new maintenance products coming out in the professional salon market, and they also are able to buy large quantities of the more established retail brands direct from the vender.

Several sources estimate that B&B owners often sell their merchandise at gross margins as low as 5 percent. Drug stores, in contrast, usually take 25 percent to 40 percent on everyday ethnic items and 15 percent to 20 percent on featured ethnic items.

Exact statistics are hard to come by on the B&B market, but it appears the industry has two branches: the major chains like Sally, Mylo and Save Way, which generally stock general market hair care lines as well as ethnic lines; and the small family-owned B&B stores that mostly stock ethnic lines and basically operate in neighborhoods where the population is more than 60 percent black or Hispanic.

Most of the B&B stores are usually small, averaging about 2,000 square feet, sources say, and stocking 1,500 to 2,000 SKUs at a time.

Some drug chains that go head to head with the family-run B&Bs are reacting by lowering their prices in high-volume ethnic stores. Many are also promoting ethnic more often to make it more visible in their stores, and they're beefing up their selection so they can make a stronger presentation statement.

However, in addition to aggressive pricing, many buyers also say the B&B stores have a strong service program working in their favor. "They can answer questions about the products," says one buyer. "When someone asks what's the best relaxer for me to use, a B&B store clerk can generally give an answer or an opinion. Our clerks generally don't know that much about the category, and we can't give the service."

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Drug chains refine and promote ethnic sections

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At Perry Drug in Pontiac, Mich., management is trying to fend off competition by upgrading ethnic sections and lowering prices.

Perry upgraded its ethnic merchandising and expanded its presentations in high-volume stores earlier this year. In March, the chain gave the category an extra shot in the arm by taking price reductions on its 50 best-selling hair care SKUs.

Steve Lund, director of merchandising responsible for ethnic H&BA, says the chain lowered prices as much as 25 percent on the most visible brands, and the results have been very strong.

"We face very strong competition from the barber and beauty supply shops in our ethnic markets," he said, "and their strongest feature is price. Before we took our price roll-back, my sales were flat, even down a bit for the first quarter of 1988.

"But my six-month sales show that I'm up 3 percent in dollars and 10 percent in units, and I think we're going to be able to build on that growth for the rest of the year."

Reasonable profits

Lund says he's now as competitive as the majority of B&B shops on price. Even with the price roll-back, however, he says he's still able to generate reasonable profits out of the department.

"We've been working closely with both the manufacturers and our distributors on acquisition costs," he says, "and as a result, I'm averaging about 15 percent to 20 percent on the items we feature in the department today."

Several distributors and a number of buyers also told *Drug Store News* that there is a general trend to lower margins in the ethnic department. Several sources said the chain drug industry is trending away from everyday margins in the 40 percent-plus vicinity in favor of more competitive margins averaging between 28 percent and 33 percent.

"I still have stores that are all over the lot with their pricing," says Kent Humphreys, vice president of Jack's Service Distributors in Oklahoma, "but the major chains are definitely becoming more competitive and more promotionally-minded. I'd say margins in the vicinity of 30 percent are definitely becoming the norm."

But buyers and distributors like Humphreys are still quick to point out that although ethnic customers are sensitive to price, they are also strongly influenced by other considerations, such as the convenience of shopping, the look of the store and the visibility of the department. Also important, he says, are the strength of the store's ethnic presentation and whether or not the mix includes the latest new products and shades.

Despite the competition and the category's relative stagnation, many chains have been able to generate reasonable growth in ethnic by improving the merchandising of the category.

SupeRx of Arizona

SupeRx of Arizona, which also has 22 stores in Alabama and Georgia, has a new prototype for high-volume ethnic stores that puts the department much closer to the front of the store. The assortment has been expanded, and in many stores, the department has grown from a basic four-foot set to eight and 12 feet and more.

In some of highest-volume Alabama and Georgia stores, the chain has expanded ethnic to as much as 84 total feet.

Earlier this year, Sam Porter, the division manager responsible for the Alabama and Georgia SupeRx stores, created a new customized planogram for the highest-volume ethnic stores.

"The planogram is part of our new effort to customize our stores to their neighborhoods," says Porter. "Our high-volume ethnic set is a good example of this program, but we're not just limiting the customization to ethnic stores, but to any category that seems to deserve more space in any given neighborhood.

"If toys were selling particularly well in one or several of our stores, we'd expand space for that category too. We're trying to give our customers what they want. We're trying to be a neighborhood pharmacy."

At presstime, SupeRx had three customized ethnic sets in the South and was working on a fourth. Porter estimated that perhaps one more store would get a dramatically expanded set.

"Basically, these are stores where as much as 95 percent of the customers are black," he said. "We started with the cosmetics department, and we cut back on all the light shades in the general market lines and gave on average, about 80 percent of our space to the darker general-market shades and to ethnic cosmetics.

"We did it because we weren't getting to the customers in those neighborhoods. We weren't offering what they wanted. They weren't using the same colors as the whites, so we were wasting our time carrying it in our stores. Now we've tailored the mix to the neighborhood and we've made ourselves more like a community store."

Eckerd Drug

At Eckerd Drug in Florida, George Gebhart, director of merchandising, says that in spite of increased competition for ethnic sales, the category is growing in the Eckerd chain at an average rate of about 7 percent a year.

Gebhart says the growth is primarily the result of better merchandise implementation. "We are following the rule that about 20 percent of our stores do about 80 percent of all ethnic sales," says Gebhart. "So although we now have a three-foot minimum set for ethnic in almost all our stores, we are expanding the department in all high-volume stores. Before where we might have given eight feet to ethnic in a good neighborhood, now we give it 12 or 16 feet. Some of our stores even have 30-foot sets."

Eckerd has also put photos of black models in the cosmetics departments of all its approximately 200 high-volume ethnic stores to create a better ambiance for its customers, and in the higher-volume stores, they are also putting a select number of Dark & Lovely hair coloring SKUs in the mass market hair color section. "That's where women expect to find hair color," Gebhart explained.

Drug Emporium

Drug Emporium, headquartered in Columbus, Ohio, is also increasing space for the category in all stores where the volume warrants expansions. In high-volume ethnic stores, sources say, the average set is expanding from four to eight feet, and in some stores it is going as high as 12 feet.

"We are making a statement to the local community that we are in the ethnic business," a source said.

Both SupeRx and Peoples Drug in Alexandria, Va., are cutting back on select general market SKUs in order to make room for products tailored to black needs. Black hosiery lines like Afrotique and Brown Sugar have been added to many stores, and in some cases, they have been given as much as eight feet.

Ethnic hair color lines like Dark & Lovely and Creme of Nature are now merchandised in the general market hair color section as well as in the traditional ethnic hair section of many chain drug stores.

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Ethnic new product launches

Cosmetics

Product	Company	Quarter launched	Description
Montaj for World of Color	Cleopatra Kohlique	3rd '88	New 87-SKU mass market makeup collection for women with olive, medium and dark skin. SRPs: $3 to $5.50. $1.5 million print campaign broke in June, featuring actress/model Sheri Belafonte-Harper, a partner in the company.
Zuri	J. Strickland	2nd '88	Line extension: 25 new shades.

Hair

All Ways Lite Nature's Super Gro	All Ways Natural	3rd '88	New light-weight hair and scalp conditioner that encourages natural hair growth.
Right On Wet Look Activator Moisturizer	Lustrasilk	2nd '88	Line extension.
Dark & Lovely Cholesterol Conditioning Treatment	Carson Products	2nd '88	Adds shine and managability to relaxed or color-treated hair.
Dark & Lovely Reviving Colors	Carson Products	2nd '88	First conditioner for women who relax their hair. Revives color, adds sheen and conditions the hair.
Let's Jam	Modern Research Labs	2nd '88	Alcohol-free styling gel.
Finisheen	Revlon Professional Products	2nd '88	Line extension: Conditioning hairdress in two new formulas.
Queen Helene Cholesterol Creamy Hair Conditioner	General Therapeutics	2nd '88	Line extension.
Weather Wear	Posner	2nd '88	Styling aids for any weather.
All Ways Natural Nature's Super Gro	All Ways Natural	1st '88	Natural ingredient hair and scalp treatment.
Tight'N'Up	Attitudes Unlimited Modern Research Labs	1st '88	Ultra fine spray for maximum hold.

Ethnic planograms: Percentage changes in category space allocations

(percentage of total planogram space occupied by category)

Category	1986	1987	Plus or minus space changes	% change in space allocation
Curly Look Maintenance	43.8%	39.18	−4.71%	(10.73%)
Conditioners	17.68	20.29	+2.61%	14.76
Relaxers	13.40	15.57	+2.17	16.19
Detanglers	5.21	4.63	−0.58	(11.13)
Press & Styling	3.25	3.73	+0.48	14.77
Curl & Wave	3.22	3.23	+0.01	0.31
Skin Tone Cremes	2.70	2.87	+0.17	6.3
Hair Coloring	2.37	2.57	+0.20	8.44
Aerosol Oil Sheen	1.79	2.20	+0.41	22.91
Men's Shaving	1.76	1.90	+0.41	7.95
Shampoos	1.41	1.60	+0.19	13.48
Curl Kits	3.31	2.22	−1.09	(32.93)

Source: Standard Distributing, Inc.

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How ethnic hair care preparations compare to other H&BA categories

(Annual sales percentage changes: food, drug and mass merchandise stores)

Category	1983	1984	1985	1986	1987
Ethnic hair preps	14	4	7	(2)	2
Men's products	9	6	1	4	4
Hair care	6	5	1	3	3
Oral hygiene	8	5	6	4	9
Color cosmetics	8	11	5	8	5
Select remedial toiletries	10	8	3	3	3
Total H&BA	9	7	4	5	6

Source: Nielsen Marketing Research

Ethnic hair care preparations: Five-year sales trend

(in millions of dollars)

Year	Total sales*	% change
1983	$240	14%
1984	$249	4
1985	$266	7
1986	$261	(2)
1987	$266	2

* Food, drug and mass merchandise stores only.

Source: Nielsen Marketing Research

Ethnic products in war for space at drug stores

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In high-volume ethnic stores, Peoples and SupeRx have also cut back some on their assortments of general market cosmetics, and in their place, have increased space for ethnic lines like Posner, Zuri and Ultra Sheen.

In contrast, some chains are trading off a strong ethnic cosmetics presentation for increased turns, and a few are eliminating the slower-turning eye, lip and nail ethnic cosmetic brands altogether and stocking only the better selling face powders, both pressed and loose.

CVS Drug Stores

CVS, Woonsocket, R.I., is testing a new compact ethnic cosmetic planogram.

The planogram features only two lines: Posner and Ultra Sheen. The lip, eye and nail shades have been eliminated, and the set now includes just about 25 foundation SKUs.

A source said that in the first few months of the test, turns have gone up "dramatically." He added, "That's what you would expect when you go from about a three-foot set to a one-foot set and you cut out about 75 percent of the items that were in the department."

The source said that lip, nail and eye were eliminated because in CVS's ethnic neighborhood stores, customers were buying more of the general market lines—Revlon, L'Oreal, Cover Girl and Maybelline, for example—than ethnic color lines. However, the foundations still sold "very well" because, as the source explained, "they serve a real need. Black customers do need darker shades than most general market lines provide. However, that isn't the case with lip, nail and eye."

In Oklahoma, however, Kent Humphreys reported a different trend. In his region, he said ethnic customers are buying the ethnic color promotions, and Posner particularly has been very successful in appealing to this customer.

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Ethnic growth segments

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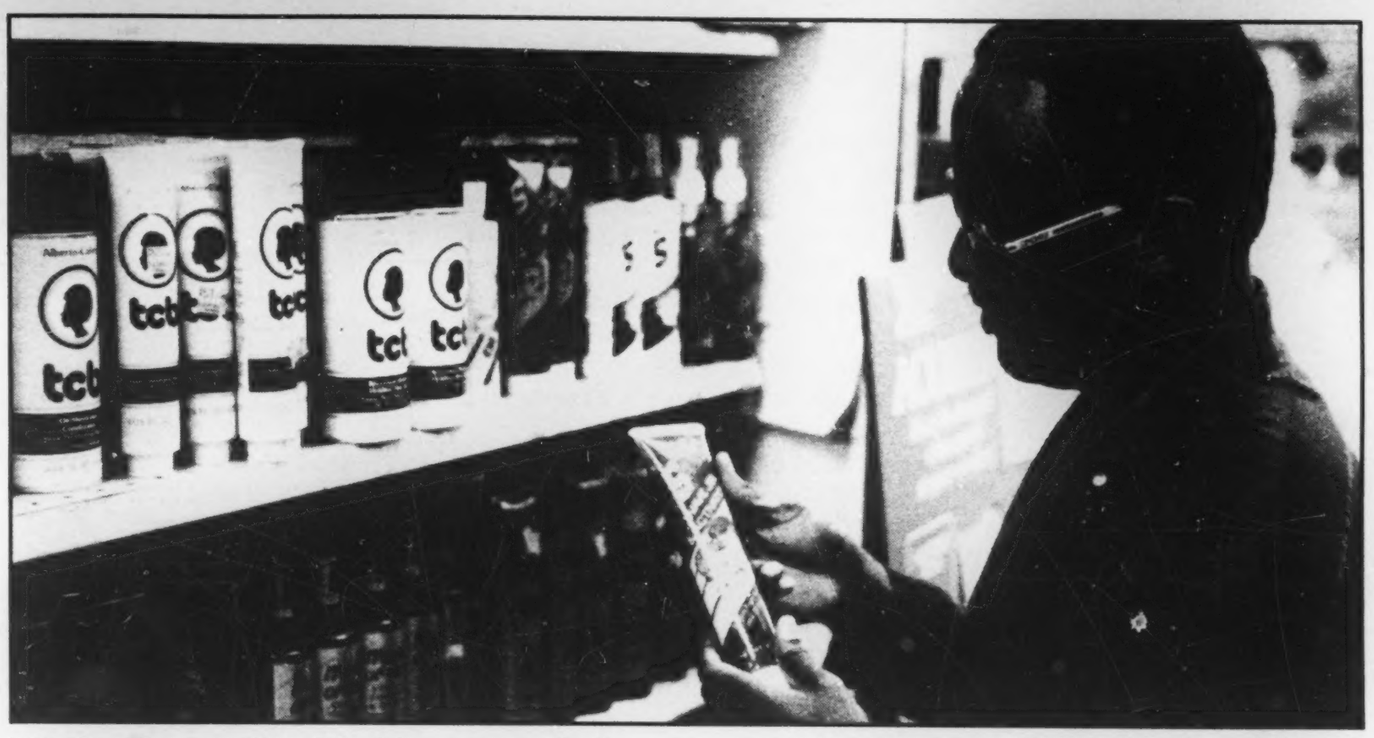
Percentage changes in black population by regions

Region	% of black population in 1987	% change in black population since 1980
New England	1.8%	14%
Metro New York	10.1	16
Mid Atlantic	11.0	1
East Central	10.9	9
Metro Chicago	5.8	21
West Central	4.8	13
Southeast	33.7	19
Southwest	13.9	11
Metro L.A.	4.0	17
Pacific	4.0	13
Total U.S.	100	14

Source: Nielsen Marketing Research



Ethnic sales are sluggish this year, partly because men and women are still wearing their hair too short. Some buyers think longer hair will make a comeback this coming year, and if that happens, sales of curls, perms and styling aids should start surging again.

Increased ethnic presence helps chains gain

The ethnic category is flat in overall dollar sales, according to Nielsen Marketing Research estimates, but some drug chains are generating sales increases as high as 20 percent from the category.

The double-digit increases are coming primarily because they are adding ethnic lines to more stores, pricing their best selling brands more competitively, promoting the category more and making the department more visible in stores. Also, they are tailoring the mix in ethnic market stores to the needs of the customers they serve.

Buyers and distributors say the fastest growing segments are still styling aids and hair color, but relaxer products are also strong as are maintenance products for the latest salon look: the relaxed or leisure curl.

Richard Eichholz, president of Ben Sheftall Distributors in Savannah, Ga., says that relaxers are up by about 15 percent, while styling aids are up about 20 percent. Color is up about 10 percent.

In Connecticut, Jim Normandin, the ethnic H&BA buyer for Beauty Enterprises, estimates that curl kits are a little better than flat, up about 4 percent in his markets. He says his numbers show that curl activators are down between 1 percent and 3 percent in most markets, while curl moisturizers are down about 5 percent.

Normandin estimates that relaxer sales may be up as much as 7 percent, while styling aids and color are both up about 10 percent. Oil sheens, however, seem to be trending down in some markets. Normandin says his numbers show they are down by about 8 percent from last year.

Most drug chains today are cherrypicking the growth categories to highlight in their ads, but in their bid to draw traffic away from the competition, they are also banging away at the dominant brands, particularly Dark & Lovely, Care Free Curl and the Luster S Curl Kit.

Generally, the chains tend to use the top-selling brands as traffic builders and create an impression of low prices and broad assortments.

Buyers and distributors say that some of their strongest growth is coming from traditionally dominant brands like Dark & Lovely, LustraSilk, Pro Line, Care Free Curl, Gentle Treatment, Sta-So-Fro, and Revlon's Finisheen, and also from some lesser-known brands with products in what some buyers and distributors think are emerging growth categories.

Although the total curl category is flat, the relaxed curl segment—so far only available in salons—is growing. Sources say that maintenance products, which are just making the transition from salon to retail sales, are doing well.

The Leisure Curl maintenance line, for example, is one of the first to hit the mass market. As a result, it is enjoying strong growth.

In Washington, D. C., Eric Thomas, the new ethnic products buyer for Peoples Drug, says Leisure Curl is a "dynamite item." Peoples hasn't featured it yet because Thomas hasn't been able to acquire it at a cost that would let the chain discount it, but the buyer said Leisure Curl was the kind of hot item he wanted to feature whenever he could "give it to my customers at a good value price."

Other manufacturers are about to launch their own versions of relaxed or leisure curl products, and buyers say there is every chance that all this new activity could revitalize the entire curl category.

Some sources estimate that the new launches planned for the curl segment next year could cause curl sales to grow by as much as 5 percent to 10 percent in 1989.

The leading brands in the curl kit and maintenance segments also continue to grow. Most sources say that the Luster S Curl Kit is the strongest brand in that segment, gaining shares at the expense of most competitors.

In the maintenance category, Care Free is still the undisputed leader, and again most sources say the brand is gaining shares at the expense of weaker competitors.

In the relaxer category, the relatively new mild men's comb-through relaxers for short hair are said to be doing well, and Dark & Lovely is still the overall best seller in dollar sales. Some sources say Gentle Treatment is their second best seller in this category, while others single out Pro Line and the Revlon relaxers.

Several sources said that Dark & Lovely's year-old Plus formula is doing exceptionally well. It's on the list of 100 best-selling products of several distributors.

Most brands of No Lye Relaxer Conditioners are also said to be doing well, but oil sheens may be starting to flatten out. Some sources say sheen products are still selling very well for them, but a few say the category is off by between 5 percent and 8 percent, and that its decline is related to the fall off in curl kit sales.

TCB is about to launch a new unscented oil sheen, and since it will be the first of its kind on the market, many buyers and distributors are predicting that it will sell very well.

Several sources expect very good sales from a new aloe vera gel conditioner from Long Aid.

Many buyers also pointed out that sheen/holding products are particularly popular in salons right now, and that it would be natural for that trend to make a strong transition to retail sales as well.

The two hottest ethnic categories this year are color and styling gels/hair conditioners. Most agree those segments are up 10 percent to 15 percent this year; some say 20 percent.

There is a lot of new activity in gels. This is one category where shoppers are also buying a lot of general market products as well as ethnic lines, and many sources think lines like Dep, Dippity Do and Studio are also benefitting from increased consumption among ethnic shoppers.

Posner and TCB were also frequently singled out as strong sellers in this segment. In the Southeast, sources said the Vigorol styling gel was doing very well and beginning to build a national following. The Summit Pre Con Gel is also said to be doing well, as is Dark & Lovely's new styling gel.

In Chicago, Lou Orenstein, president of Judith Lynn Beauty Supply, reports that Hairlox is showing some strong growth in the Midwest. Orenstein says some of his other best sellers include the Revlon Relaxer kits, Johnson's Gentle Treatment, TCB's hair and scalp treatments, M&M's Stay-So-Fro, Soft Sheen's Care Free and Carson's Dark & Lovely.

The hair conditioners and pomade categories are still selling very well in most ethnic neighborhood stores. A few buyers feel the category will do even better next year because long hair seems to be making a comeback, particularly for men.

Several West Coast sources say men are now wearing much longer hair styles in their markets, especially in California, and the trend is expected to make its way East.

In Chicago, Orenstein says he sees a trend to longer hair for women as well as men, and he says this bodes well for the category. "If they let it grow, they have to either relax or curl it," he says, "and that alone will generate growth."

All the major hair styling aids seem to be selling well. The light brands that don't leave a heavy residue on the hair are doing extremely well, and some parts of the country are reporting exceptionally good growth from certain regional lines like Isoplus hair treatments and styling aids, and the Super Grow cholesterol treatments from Scientific America in Florida.

Isoplus is made by JM Products in Little Rock, Ark. Har-

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Ethnic hair care preparations: Dollar sales

(in millions of dollars)

Outlet	1983	1984	1985	1986	1987
Drug	$138	$157	$176	$174	$153
Food	58	66	67	66	65
Mass merchandise	44	26	23	21	48

Source: Nielsen Marketing Research

Ethnic hair care preparations: Percentage growth

(Sales changes: food vs. drug vs. mass merchandise stores)

Outlet	1983	1984	1985	1986	1987
Drug	11%	14%	12%	(1%)	(12%)
Food	29	14	2	(2)	(2)
Mass merchandise	7	(41)	(12)	(9)	128

Source: Nielsen Marketing Research

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Ethnic growth segments

Bigger ethnic presence

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ris Beauty Supply in Atlanta says the brand is "one of the fastest growing lines we've seen in our market in years."

This year, Isoplus had a twin-pack promotion featuring its oil sheen and its holding spray, and sources said it blew out the door. Harris said it was "the second best promotion we've had this year."

Other sources say the cholesterol category has also been showing strong growth in ethnic. Some say that any product with cholesterol in its formula sells well. Many distributors say that cocoa butter, aloe vera and vitamin E ingredients are also hot right now.

Chains and distributors that carry the Super Grow line usually say it is their fastest growing line in the cholesterol treatment category, but Queen Helene is also mentioned as a strong seller, and most are very optimistic about the new cholesterol line, Le Kair, that Carson Products is introducing.

Expectations are also high for a new temporary color enhancer that Carson is launching for permed hair.

Buyers and distributors say the new item, which is called Dark & Lovely Reviving Colors, should be a real winner because it is innovative and it enhances or treats the hair as it adds color and shine. The formula is meant to replace the color that perming strips from chemically treated hair.

Reviving Colors is targeted specifically to women who perm their hair, which is at least 50 percent of the ethnic market, buyers estimate.

Most sources said that hair color is one of the best growth segments in ethnic this year. The best selling line, everyone agrees, is Dark & Lovely. Many sources say they are cutting back many general market shades to make more room for the Dark & Lovely shades, and also for Revlon's Creme of Nature, which many buyers said was performing well for them right now.

Several chains are starting to carry both Dark & Lovely and Creme of Nature in their higher-volume ethnic stores "to give our customers a better assortment."

Most sources say the temporary or wash out colors are selling faster than the permanent shades, but the word on Color Accents was mixed. Some sources called the two-year-old line "disappointing," while others said it was one of their fastest growing brands.

In ethnic cosmetics, many buyers are giving expanded space to all three of the leading ethnic color lines—Posner, Zuri and Ultra Sheen—and a few chains like Eckerd and Perry Drug are also testing the Flori Roberts and Fashion Fair department store lines in a few stores, to what sources say are "good results."

Other chains like Peoples and SupeRx of Arizona are exploring the option of adding more upscale ethnic lines to their mixes. Eric Thomas, the new ethnic buyer for Peoples Drug, says ethnic cosmetics is a "vastly underutilized category in chain drug stores, and has the potential for much stronger growth."

Skin care gaining

Another underutilized category, skin care, is also starting to show stronger sales in some sections of the country. Jim Normandin at Beauty Enterprises estimates that total skin care sales this year are up about 8 percent.

Most of the growth is coming from the Ambi skin care line, but distributors like Normandin say the Venus De Milo line is doing fairly well. Several sources say Schering Plough's new packaging for its Archer's line may also help the category.

Ethnic hosiery sales are continuing to go up in chain drug stores. Several sources estimate the category is up 7 percent to 10 percent this year, with most sources saying the fastest growing line is Afrotique, which is owned by Sara Lee. Sara Lee has L'eggs, Hanes and the Brown Sugar ethnic hosiery line.

Some distributors expect Sara Lee will begin promoting the Afrotique line much more aggressively, just as they do L'eggs, and if that happens, one source said, "the growth should hit double-digit rates."

In Connecticut, Ken Royle at Beauty Enterprises was starting to see growth in the fashion segment of hosiery, particularly in imported lines aimed at young people of all ethnic backgrounds.

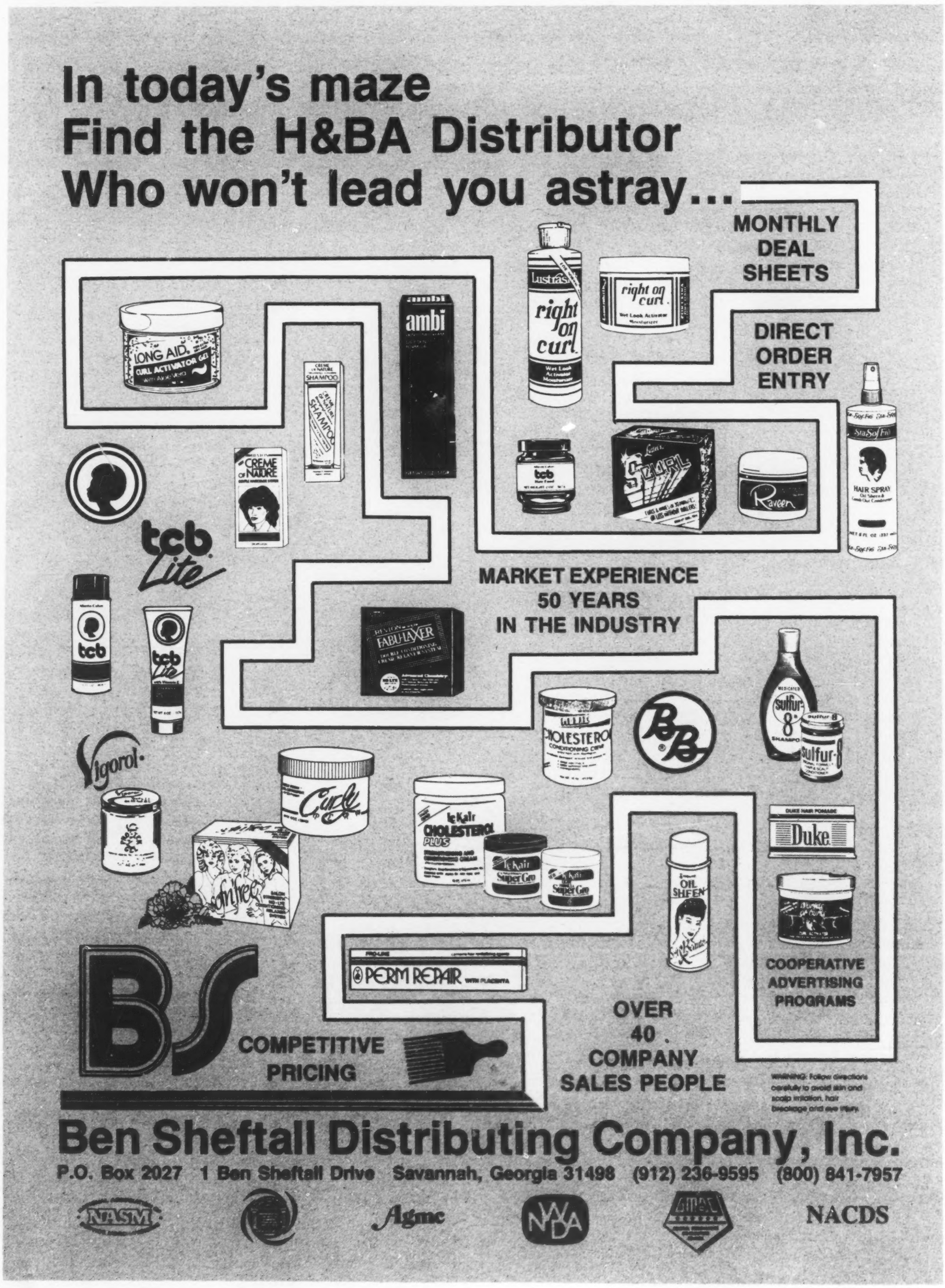
Royle said that even though many of these lines are imported, the quality is high while the price is reasonable. "Many drug stores are selling these kinds of lines for about $4, while department stores have comparable brands for as high as $14," he said.

Ethnic hair care preparations: market share

(Food vs. drug vs. mass merchandise stores)

Outlet	1983	1984	1985	1986	1987
Drug	58%	63%	66%	67%	58%
Food	24	27	25	25	24
Mass merchandise	18	10	9	8	18

Source: Nielsen Marketing Research



Ethnic promotions

BEAUTY TRENDS

Promotions abound as chains seek to attract ethnic traffic

With no new fashion trend to drive ethnic hair care sales, the total category has been flat again this year.

But drug store retailers say they have been able to generate growth in their high-volume ethnic stores by enhancing their merchandising of the category and by putting a strong emphasis on stocking and displaying products backed by manufacturer promotions. These include "two for one" packs, bonus packs, brands with rebates or refunds, and brands supported by special consumer promotions that give shoppers a chance to win prizes such as free trips, cars or bicycles.

Several drug chains, however, have also decided to fight competition by lowering prices, preferring, as one buyer put it, "to sacrifice the 40 percent to 60 percent margins in exchange for traffic and an attractive image."

Other chains are also trying to decrease the number of times they have to bang heads with competitors on top selling brands like Dark & Lovely or Carefree Curl.

Ethnic hair care: Division of sales by category segment

(1986 versus 1987)

Segment	1986	1987
Conditioners/hair dressings	24%	25%
Curl activators	27	27
Hair sprays	2	2
Comb easy	25	23
Relaxers	17	19
Curl kits	5	4

Source: Nielsen Marketing Research

Ethnic hair care preparations compared to other select H&BA categories: 1987 market share trends

(By type of retail outlet)

Category	Food	Drug	Mass merchandise stores
Ethnic hair preps	24.3%	57.5%	18.2%
Shampoo	50.8	27.9	21.3
After shampoo	43.5	36.1	20.4
After shave/cologne	16.7	62.3	21.0
Face creams/lotions	24.3	57.3	18.4
Hair color	19.8	53.6	26.6
Color cosmetics	18.5	60.5	21.0
Hair spray	45.2	29.8	25.0
Total H&BA	44.1	38.4	17.5

Source: Nielsen Marketing Research

Ethnic hair care: Percentage changes in segment unit volume

(1987 vs. 1986)

Segment	% change
Comb easy	(8%)
Hair spray	0
Conditioner/hair dressing	3
Curl kits	0
Curl activators	0
Relaxers	11

Source: Nielsen Marketing Research

Food chains try to take a position in ethnic products in high-volume ethnic neighborhoods, but often their selections are small. They generally carry just the top brands in some of the major hair care segments, as this picture of a Publix ethnic department shows. Drug chain buyers say they have an edge because their stores offer consumers more variety and a better presentation.

Some buyers say they are trying to broaden their advertising mix and reduce the number of times they have to cut margins by looking for good, but lesser known brands, that they can promote at very attractive prices.

This year, several chains seem to have found such an alternative in Supreme Products' Duke and Raveen brands.

Between its rebates and refunds, Supreme has generated tremendous trial for Duke and Raveen. In many markets, retailers report they have been able to advertise both brands for $4.99 or $5.99. Plus, in many markets, Supreme had $2 to $5 rebates available, meaning that many consumers were able to buy a Duke or Raveen kit for less than $3, and sometimes they could get a kit virtually for free.

Supreme, which is owned by John Johnson, publisher of *Ebony*, also includes the names of the chains that stock his products in tag lines that run with his ads in *Ebony*.

The ads usually feature a picture of the Duke and Raveen texturizing and relaxer kits in *Ebony*, along with the mention of the chain's name as a place where the products are available. Rite Aid has participated in the promotion and so has Eckerd, Walgreens, K mart, Safeway and G.C. Murphy's.

Promotion gets high marks

Mike O'Neill, vp of merchandising for Harris Beauty Supply in Atlanta, says this type of promotion is particularly good for chains facing intense price pressure from any type of competitor.

"It takes a good brand and gets it under the magic $5 price point," he says. "It's been a very effective promotion. In the mid-Atlantic market, it's sold very well."

At Eckerd Drug, George Gebhart reports extremely high turns on the Duke and Raveen line. "It's because they offered a $5 rebate on both items, and since they normally retail for $5.99, customers who took advantage of the rebates could get them for 99 cents."

Eckerd supported the promotion with end caps in its higher-volume ethnic stores. "We're finding that it's a good promotional strategy to use end caps in the high-volume stores. It does help sales tremendously," said Gebhart.

In the Washington market, Dart Drug is planning a contest with Supreme that will give Dart's customers a chance to win two tickets to the Michael Jackson concert this October.

In Chicago, Lou Orenstein, president of Judith Lynn Beauty Supply, says that Supreme did a similiar promotion with local Chicago chains during the Tyson/Spinks championship fight that was "extremely successful."

For that promotion, chains raffled off 50 tickets to a closed circuit television party where the winners enjoyed the fight along with hors d'oeuvres and cocktails.

Orenstein also says chains have seen strong sales from the Luster S Curl Model of the Year Contest and from the Gentle Treatment Model Search.

At Perry Drug in Detroit, management has been vigorously promoting ethnic brands since they finished upscaling the department in February. Perry uses a magazine digest booklet to promote ethnic, and extensive radio spots.

Steve Lund, director of merchandising for H&BA, says ethnic sales have also been helped by the fact that Perry is doing more extra value promotions like sweepstakes, bonus sizes and on-packs.

Earlier this year, Lund says, he had excellent results with a Johnson Products promotion featuring a sweepstakes in which the grand prize was a free trip to the Caribbean for two plus $500.

Lund supported the promotion with print and radio ads as well as ends featuring Ultra Sheen and Ultra Star.

"What made it especially effective," he said, "was that we were advertising a very strong consumer value. Consumers who bought an Ultra Sheen Relaxer kit or an Ultra Star Texturizing kit got another one free, or they got an eight-oz. bonus pack if they bought the Ultra Sheen Hair Food or the Ultra Sheen Lite Conditioner."

Buyers and distributors are also very enthusiastic about LustraSilk's large-size back-to-school promotion.

This promotion is aimed at families who tend to stock up on maintenance products as school reopens. It features the 32-oz. size that is not in everyday stock. The promotion includes the LustraSilk Activator, Moisturizer and Curly Look Control. The manufacturer lists $13.95 as the SRP for the 32-oz. size in these items, but for this promotion LustraSilk pre-prices the items at $8.95.

LustraSilk also uses customized radio spots on a regional basis to back up the promotion.

For the last three years, Luster Products has done a very successful bonus promotion with its Luster Oil Moisturizer. The promotion features 12 ounces for the price of eight ounces. Buyers say it has been a stable of their spring and summer promotions for the past three years and has "always done well."

Many distributors and buyers also singled out some of TCB's recent promotions as being outstanding.

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Ethnic promotions

BEAUTY TRENDS

Promotion strategies vary by chain

Most chain drug stores still prefer to promote ethnic products through in-store flyers, which buyers view as cost-efficient, rather then in newspaper ads or circulars.

However, it is becoming more common for retailers who carry ethnic chainwide also to use weekly color rotos to promote best sellers, in order to demonstrate commitment to the category.

However, the few chains who carry ethnic in all stores, like Walgreens, Thrift and Dart, are promoting major brands in almost all print ad vehicles, including coupon books, newspaper ads and four-color circulars.

A source has confirmed that this fall Osco will use its color rotos to advertise ethnic. Sources say that starting in October, Osco will be putting between two and four ethnic items in its roto each week.

The source says the strategy is a way of letting black shoppers know that Osco wants their business and that its stores have the best selling brands at the best prices.

Community service promos

In mass merchandise stores, where chains have bigger selling areas, there is also a new emphasis on community service promotions.

For the past two years, K mart has done a promotion themed around a "Send a Kid To Camp" campaign. High-volume ethnic stores build a display featuring about 12 separate products.

K mart tells its customers it will contribute a certain amount, usually 25 cents for every featured product bought during the promotion. Participating manufacturers usually match this, and proceeds are given to the YMCA, which uses the money to sponsor a week at camp for underprivileged children.

Stores usually advertise the promotion with in-store displays and local newspaper or radio ads, or in flyers.

Many drug chains also work closely with manufacturers to develop promotions customized to their high-volume ethnic stores. Individual store contests run by Eckerd, Big B, Perry, Osco and Walgreens are most popular.

"Some of the most successful promotions today focus on a major holiday or event like Black History Month, Easter, Christmas, summer or back-to-school," says Richard Eichholz of Ben Sheftall.

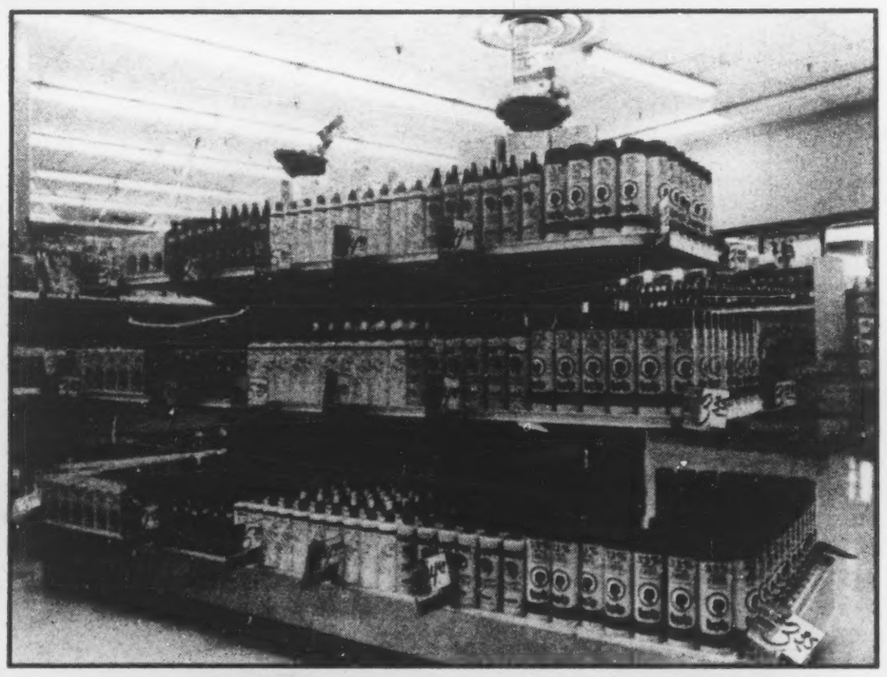
"Chains are realizing that they should be zeroing in on black families in their ads, and that's because most of the purchases for a black household are made by the adult female shopper, and when she shops, she shops for the entire family. Eckerd is particularly good at this type of promotion in high-volume stores, and so is Big B," he adds.

How Walgreens promotes its ethnic selection

(Sample of chainwide print ads, May 1988)

Product	Price
Luster S Curl Activator, 8 oz.	$2.99
Worlds of Curls Conditioner, 8 oz.	$1.89
Worlds of Curls Curl Activator Gel, 6 oz.	$1.89
Ultra Sheen Curl Activator Gel, 2 oz.	$1.19
Genbtle Treatment Conditioner	$4.99
Johnson's Relaxer	$4.99
Luster S Curl Kit	$5.99
Stay-Sof-Fro Spray, 8 oz.	$2.49
Ultra Star Texturizer	$4.99

Source: Vereen Associates Ad Tracking survey. Print ads for chain drug stores in May 1988.



Drug chains are trying to drive sales up in ethnic products by giving the category more space and more advertising. Buyers say bonus-size packs are selling particularly well this year.

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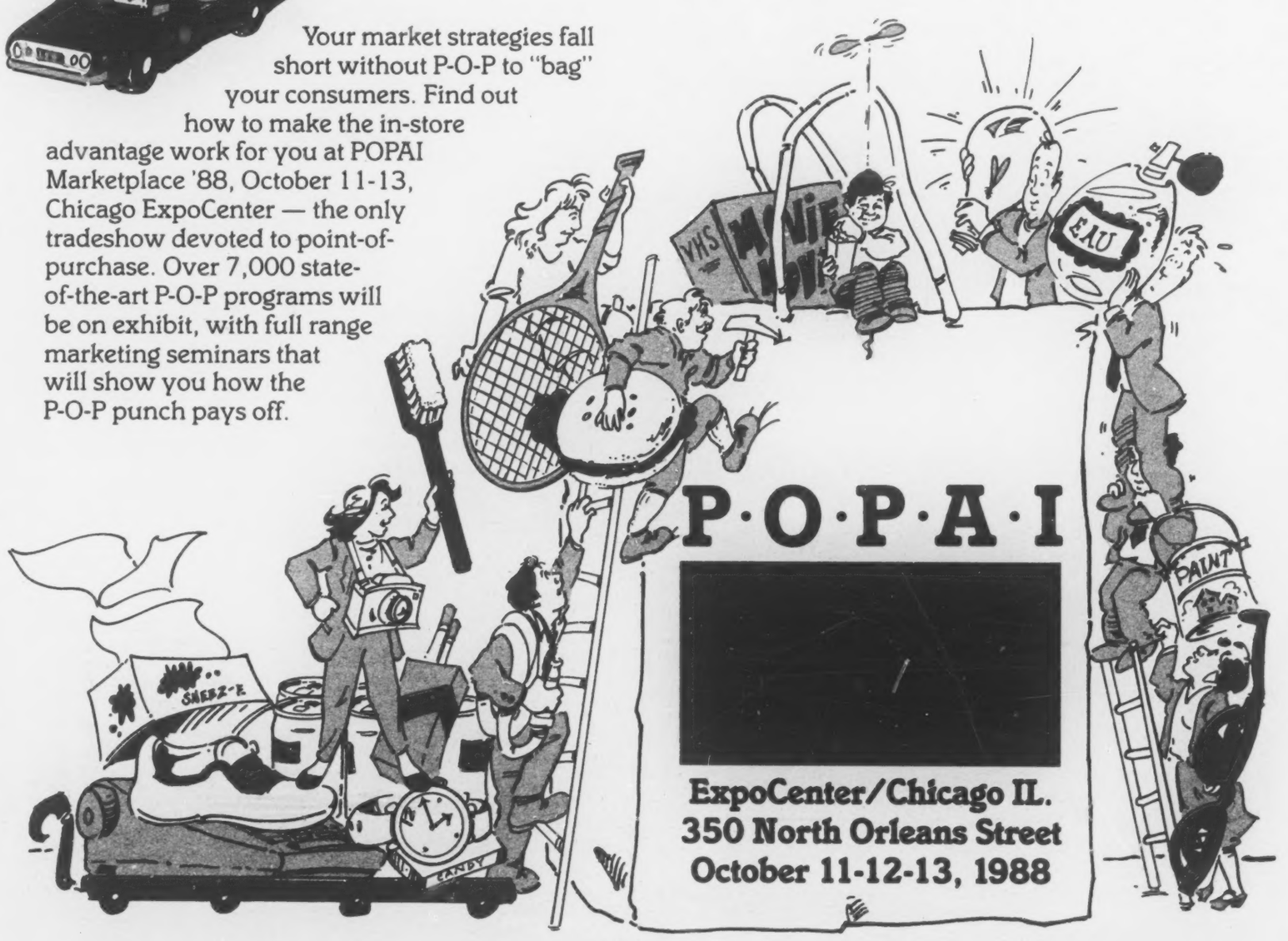

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Ethnic: Chain profiles

BEAUTY TRENDS

Perry tests new ethnic lines in 10 inner city stores

Perry Drug will soon carry select department store ethnic cosmetics in a small sample of its inner city stores.

As a test, 10 inner city stores are being outfitted with the Fashion Fair line, and some of these stores will also carry Flori Roberts.

Gary Allen, executive vp, says the Pontiac, Mich.-based chain is expanding space in these 10 stores for some of the mass market ethnic cosmetics, particularly Posner, Zuri and Sugar n' Spice.

"Before, we had some ethnic lines in our stores, but it was not anything dramatic," says Allen. "Now we'll have about 12 feet to 15 feet of ethnic cosmetics in addition to our regular ethnic hair section.

"We definitely think there is a market for ethnic cosmetics in drug stores. It just needs exposure to take off."

"We have Ultima II in some of our stores, so why not Flori Roberts or Fashion Fair in high volume ethnic stores?" asks Perry's new assistant vp of cosmetics, Jan Evans.

"We'd still carry all the shades in the nail, lip and eye segments of most of the general merchandise lines because they're generic and all types of women can use them, but in the face makeups and foundations, we need darker shades for our darker-skinned customers."

As Perry remodels its stores, Evans said the chain will also revise its mix in the ethnic planogram. Lighter shades in the mass market lines will be eliminated, and more of the darker shades will be added, particularly in the higher-volume ethnic stores.

Wants new lines

Evans says that Perry is very interested in bringing in other new ethnic lines into cosmetics and is looking at several options besides the department store lines.

"We want to put new lines in," she says, "because we think we need to make those kinds of changes to keep on generating excitement in the department. I think maybe 50 of our high-volume ethnic stores could maintain that kind of approach.

"It's not that we're looking to expand space in ethnic. It's more a question of our wanting to use it better. We're going to be listening more to our customers. We'll be trying to see what they're looking for, and once we know more about what they want, we're going to try to give it to them."

Evans says Perry will also consult more often with its own cosmeticians and district managers to see what feedback they're getting from Perry shoppers. "They're talking to our customers all the time," she says, "and they'll be an invaluable source of merchandising information."

She also said that once Perry has identified the right mix and gotten it into enough remodeled stores, the chain will begin promoting ethnic cosmetics more. "We'll need to get the word out," she says.

Steve Lund, the vp of merchandising responsible for Perry's ethnic hair care set, will also be doing more advertising for the department.

"Half our stores have an everyday ethnic hair care department," Lund says, "and we want to make our presence in the category more visible to our customers.

"We just did a price reduction on the top 50 items, and now we're working on promoting that. Normally when you work with inner city stores, you can price higher because you're selling convenience.

"But that's not the case with ethnic. Many of our customers are interested in savings, so we have to be very price competitive."

Lund says that Perry likes to use radio, newspapers and circulars to reach its ethnic market. "All our efforts right now," he said, "are behind image advertising. We use radio, newspapers and we do a full page in our circulars.

"We're using the theme that Perry is "serious" about ethnic. We're trying to show that we're dedicated to the ethnic category and that we have both the assortment and the right prices."

Makes a stronger statement:

Thomas directs Peoples' ethnic focus

Before Peoples Drug Stores promoted Eric Thomas, assistant H&BA buyer, to ethnic products buyer, the 850-unit chain never had a buyer exclusively for ethnic products.

In the years before Thomas's promotion this past spring, ethnic had been one of several categories overseen by the Peoples H&BA buyer.

But because the Alexandria, Va.-based chain has so many stores in highly ethnic neighborhoods, the ethnic products department has grown to be especially valuable to the chain. Thomas's boss, cosmetics vp Vicki Williams, describes ethnic as "a very important category for the chain, an area for growth and opportunity."

Thomas has been with Peoples for 10 years. He joined the company in 1978 as a merchandise manager coordinator, and before that was a sales rep for Harris Beauty Supply, a major distributor of ethnic products.

"Ethnic is already a very strong category for us." Thomas says. "The category overall is flat, and there is tremendous competition in this area, but even so, our sales are up. I think we can generate even more growth, and I wouldn't be surprised if, at some point, we could double or even triple our current sales."

Thomas says that "advertising is the key to getting ethnic to grow. You have to get the word out to the people," he says, "so the people will know the type of mix you have.

"We're going to be making a statement that Peoples has the products people want and at the most competitive prices. We have very heavy ethnic demographics in our Washington, D. C. and mid-Atlantic stores, but I'm talking corporately when I talk about ethnic. All our divisions will be getting behind it."

Currently all Peoples stores have an ethnic set, usually ranging from four to 12 feet, depending on the store.

Thomas says that high volume stores must have a larger set to create a stronger presentation of the category. "We're asking the regional vps and the district managers to tell us which are their highest volume ethnic stores, and when we identify the right stores to remodel, we'll go up to 20 or 30 feet. When you're working with 72-inch fixtures, you can make a strong presentation."

Thomas has already completed four new planograms for ethnic and he's working on his fifth. "I have one more to go after that," he says, "and then I'll be ready to start sending the planograms out to the stores." Until recently, Peoples only had three planograms for ethnic: for four-, eight- and 12-foot sets.

Strong mix, good prices

"When we start implementing the planograms, we're going to be stressing a strong mix of products at a good price. We plan to get involved with many more promotions, and we especially want to do themed promotions, like back-to-school."

Thomas prefers to service Peoples stores "through our own warehouse. "It's true this is a fashion-driven category, and a distributor can be a great asset in helping a chain stay on top of it, but I know this category and I think I can stay on top of it as a buyer. I expect vendors to advise me when there's something new and potentially hot coming along, and when I find the right products, I can buy them and bring them in on short notice. I also know we'll do a lot of business in the everyday maintenance products that people need."

Thomas also wants to give the department a permanent home in stores, which it doesn't have now.

"I don't want it in the back or too far from the rest of H&BA. I want customers to come in and see our assortment and respond by making multiple purchases.

Thomas says ethnic cosmetics will be an important part of his mix. He says he'd like to add more ethnic cosmetic lines to Peoples, possibly even a department store line like Flori Roberts or Fashion Fair.

"Ethnic cosmetics hasn't been explored yet in most drug stores," he says. "We want to stir up a lot of excitement in the marketplace, and in 1989, you're going to see us do more with this category. We'll promote cosmetics more," he says, "but we're especially going after hair care because that's used by both men and women.

SupeRx experiments with custom ethnic prototypes

SupeRx is experimenting with a series of prototypes that allow management to customize individual stores to specific neighborhoods.

In neighborhoods that are nearly 95 percent black or Hispanic, for example, the Cincinnati-based chain is opening stores that devote about 80 percent of the overall cosmetics and hair care sections to products that meet the needs of darker-skinned customers.

SupeRx's store in Decatur, Ga., was the first unit to be given such a set when it was remodeled right after Christmas last year.

Sam Porter, who is in charge of the Alabama-Georgia region, where SupeRx currently has 22 stores, decided to make the change so he could customize the store to the local community.

"We weren't getting to our local customers," he says. "Our offering wasn't what they wanted. At headquarters, we'd decided that we should tailor our stores to the individual markets, and make them more like a community store. Well, this store was in an area that was about 95 percent black, so it was a good place to start."

Porter and his area merchandiser, Rod Griffin, decided their first step would be to keep "a few basic lines" in their own warehouse, but to turn the rest of the department over to a local distributor, Harris Beauty Supply.

"Harris helped us a lot," says Porter. "They knew bet-

Continued on page 36

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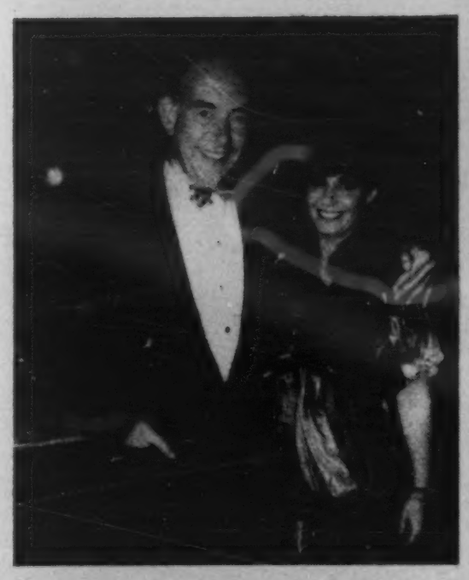

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BEAUTY TRENDS | Ethnic: Chain profiles

SupeRx tests series of customized prototypes

Continued from page 35
ter than we did how to tailor the department." Since remodeling the Decatur store, Porter and Griffin have customized two other stores, a fourth is in the works and a fifth is possible. "All three sets are totally different," says Griffin.

The ethnic department is now highly visible in the stores. It's on the opening wall, and it takes up about 80 percent of the cosmetics department and then flows into ethnic hair care.

In the Decatur store, the section opens with a 15-foot run of hosiery. Porter added one ethnic hosiery line, Afrotique, and gave it six feet in the section. The chain is thinking of adding a second ethnic line in another three feet.

Normally, SupeRx would put a fragrance set or promotional cosmetics right after the hosiery. But in this store, Griffin and Porter have put in about 12 feet of all the darker Revlon face shades, plus Revlon's lip and nail colors.

The Revlon set leads into the pegged section where SupeRx has given about another 20 feet to the darker shades in select mass lines, specifically Cover Girl, L'Oréal, Maybelline and Max Factor. Management has kept the regular lip and nail shade selections from all the general merchandise lines it carries, including Aziza, Coty and Bonne Bell, in addition to the others.

Trying to add lines

The pegged wall also includes generous space for the regular ethnic lines such as Posner, Zuri and Ultra Sheen. There are no department store ethnic lines, like Flori Roberts, in the set yet, but Harris is trying to add at least one more ethnic cosmetics line.

SupeRx also kept its two budget lines, Artmatic and Wet 'N Wild, because Griffin says they continue to sell very well in black neighborhoods.

All together, cosmetics has about 33 feet in the Decatur store, Griffin estimates, and then it flows into about six feet of hair accessories, including rollers and shower caps.

The hair care section comes next, and here again Porter and Griffin have toned down the general market lines and given more space to products made specifically for black and Hispanic needs. The general market shampoo section has been scaled back, and color has been expanded from about six feet to 12 feet.

"Each store is allowed to pick out the items that it wants," says Griffin.

When Porter, Griffin and Harris Beauty Supply were finished with the store, the ethnic hair care set had been expanded from 18 feet to 54 feet and the entire ethnic set, including hosiery and cosmetics, had grown to 84 feet.

"This was one of our bigger stores, with about 12,000 square feet of selling space," says Griffin, "so we could give it that much space. Our second remodel was done in a smaller store, with about 9,600 feet of sell space, so we expanded the ethnic set to about 72 feet.

"In that store, too, the neighborhood included more older, white customers, so we kept the full lines of Cover Girl and Maybelline, and didn't do as much with Revlon, Max Factor and L'Oréal."

After SupeRx completed each remodel, the chain promoted the changes aggressively, trying to show the neighborhood customers that SupeRx did have the selection they wanted.

The chain also did radio advertising, give-aways and in-store demonstrations. Griffin says the chain now "always has something going promotionally in that department. We're doing an endcap promotion each month, and that means we have different specials that we can offer our customers."

"It's worked pretty well for us," said Porter. "This is a very competitive market, and before we made the changes our sales in ethnic were flat. Now we're up about 6 percent and it's growing."

Porter says SupeRx averages about 30 percent margin in ethnic.

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New packaging for Long Aid

MEMPHIS — Keystone Laboratories has repackaged its Long Aid product line to reflect "the bolder, brighter, more modern attitude of our consumers," said Melinda Menke-Burns, president.

The new, contemporary, upscale look for the established line came out of consumer research that indicated people wanted see-through packaging and more usage information. Clear packaging lets people know when they need to replenish, and "customers prefer to judge product quality before buying," she added.

The line now sports a bold white LA symbol, which clearly identifies each product as a member of the brand family.

Keystone has also introduced three new products to the Long Aid line: Aloe Vera Gel Extra Light Conditioner, Relaxed Hair Manager and K7 Oil Moisturizer.

SAMI/Burke tracks private label — Page 8

Time for el... merchand... — Report

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DRUG STORE NEWS

Vol. 10/No. 19 **Our 60th year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. Sept. 26, 1988

Perry Drug Stores results for last four quarters

	1988 3d qtr.	1988 2d qtr.	1988 1st qtr.	1987 4th qtr.
Sales	$165 m	$158 m	$175 m	$189 m*
Net earnings (loss)**	($14.2 m)	$275,000	$1.8 m	($4.6 m)

*Includes results of Auto Parts Division
**Excludes loss from sale of Auto Parts Division

Source: Company reports

Perry Drug swallows big third-quarter loss to boost sales

PONTIAC, Mich. — Shrinking gross margins and uncollected third-party bills led to a $14.2 million net loss from continuing operations for Perry Drug Stores in the third quarter, reversing a recent upward trend in profits for the 2,223-store drug and health care chain.

The loss compared to earnings of $97,000 in the same period last year. For the first nine months of this fiscal year, Perry has suffered a loss of $24.6 million, compared to a loss of $3.3 million

Continued on page 94

Kroger mulls a breakup to stymie Hafts' overture

The plan: core focus, heavy debt load

By James Frederick

CINCINNATI — Fighting to maintain its independence in the face of a possible takeover bid from the Haft family, Kroger Co. is considering a restructuring plan that would strip the company of all non-core operations and load it with debt in exchange for a substantial cash payout to shareholders.

The plan, announced Sept. 13, involves the declaration of a special dividend of approximately $40 on each common share of Kroger stock. The dividend would also include a junior subordinated deferred-interest 20-year debenture with an expected trading value of about $8 for each common share.

The rumors surrounding the proposed restructuring and possible takeover by the Hafts drove the price of Kroger's stock up more than $10 Sept. 13, to $50.25.

Meanwhile, Moody's Investors Service said it was reviewing Kroger's securities ratings for possible downgrading, since the proposed recapitalization would raise its already high debt level.

Kroger's move followed quickly on the heels of an announcement by the Federal Trade Commission that the Haft family had received federal clearance to accumulate a stake in the giant food and drug retailer. Through spokesman Stanley Rubenstein, the Hafts refused comment on the go-ahead, which clears the way for the acquisition of at least $15 million in Kroger stock.

Arbitrageurs on Wall Street estimated that what's left of Kroger would be traded as a 'stub,' worth about $7 a share.

The $15 million figure reveals nothing about the Hafts' eventual purchase intentions, because it is a commonly-used minimum approval level required by the FTC. Neither the FTC

See **Kroger,** *page 93*

Health test-Rx 'combo' debuts

Medicare-Glaser pilot promotes a professional image

By David Vaczek

ST. LOUIS — Medicare-Glaser has converted a 15-year-old neighborhood pharmacy into a health testing center in a unique pilot program aimed at strengthening its professional image.

The store—called the Medicare-Glaser Family Health Center—features a permanent health screening and testing service, with a full-time staff that includes a registered nurse and a licensed practical nurse. An off-premises doctor acts as a consultant.

Screening and waiting areas and a laboratory largely

See **Med-Glaser,** *page 93*

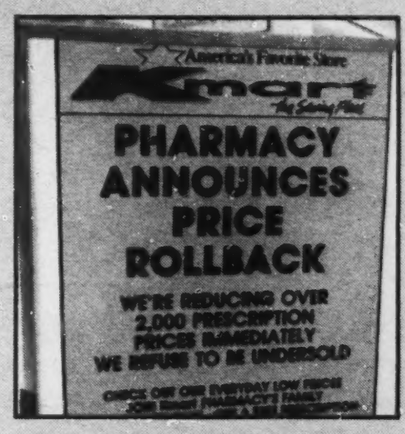
Medicare-Glaser's new Family Health Center includes ample waiting room space.

If Mickey Mouse fell ill, he could choose from 12 Orlando Rx chains

"I don't want to speak ill of competitors, but if Phar-Mor were to dry up and leave town, I wouldn't be upset."
—Pharmacist.

"Going head-to-head against Phar-Mor isn't good sense. You need to be competitive, but you're not going to match every item."
—Deep discount franchisor.

"Phar-Mor and Drug Emporium and Freddy's have forced prices down."
—Pharmacy manager.


Kmart
PHARMACY ANNOUNCES PRICE ROLLBACK
WE'RE REDUCING OVER 2,000 PRESCRIPTION PRICES IMMEDIATELY
WE REFUSE TO BE UNDERSOLD

Sign by entrance reflects intense price pressures in Orlando. Many retailers here match competitors' Rx prices.

By Al Heller and Susan Ball

ORLANDO — Phar-Mor has shaken up this central-Florida market more in one year than Drug Emporium has in eight, through sharper pricing than people had ever seen here.

"Customers come in and amaze me! They'll quote a Phar-Mor price on a prescription that's maybe $15 below my cost," said Linda Smith, pharmacy manager at a 4-month-old Publix supermarket with pharmacy located in a developing neighborhood. "We just can't go that low."

During a recent visit to this market, it was evident that drug chains and competing pharmacies will go to great lengths to gain a foothold in Orlando, where anticipated growth over the next few years has an all-star roster of retailers willing to crunch in a currently overstored market.

That roster of pharmacy operators includes Eckerd, Rite Aid, Walgreens, K mart, Wal-Mart, Publix, Albertson's, Gooding's, Winn-Dixie, Phar-Mor, Freddy's and Drug Emporium. Whew!

There is no pharmacist shortage here, sources told *Drug*

See **Orlando,** *page 4*

LATE NEWS

- IRVINE, Calif. — The American Stores board has asked L.S. Skaggs, 65, chairman and ceo, to delay his retirement until a successor is found. American also elected Dick Scott, chairman and ceo of Osco Sav-on Drug, a management director.
- TWINSBURG, Ohio — Debt payments, lowered gross margins and out-of-stocks pushed Revco's losses to $88.6 million in the fiscal year ended May 28, despite sales upping to $2.4 billion from last year's pro forma $2.3 billion. Operating profits were $96.4 million, down from last year's pro forma $147 million.
- LIVERPOOL, N. Y. — Fay's Drug said it will buy up to 1 million, or 7.4 percent, of its 13.5 million common shares outstanding. The chain has purchased almost 2 million shares over the past 22 months.
- NEW YORK — Moody's Investors Service said it has placed Kroger's securities ratings under review for possible downgrade, since its proposed recapitalization would raise its already high debt level.

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